

# **Resolutions**

**PASSED BY THE NATIONAL ASSOCIATION OF REGULATORY  
UTILITY COMMISSIONERS**

**2009 ANNUAL CONVENTION**

**of the**

**NATIONAL ASSOCIATION OF  
REGULATORY UTILITY COMMISSIONERS  
(November 18, 2009)**

**The summary statements describing the amendment and each resolution are not comprehensive. If you have an interest in the subject matter outlined, you should read the item described to get a sense of what policy is being proposed.**

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*The resolution asks the FCC and the States to review and develop best practices for verification for all Lifeline applicants' eligibility.*

*Sponsored by the Committees on Consumer Affairs and Telecommunications.*

**2. Resolution on International Accounting Standards Board Exposure Draft Page 5**

*The resolution commends the IASB for seeking comments and gathering input on rate-regulated activities, directs NARUC to file comments on the International Accounting Standards Board Exposure Draft ED/2009/8 regarding rate-regulated activities, and encourages NARUC members to also file comments.*

*Sponsored by the Committees on International Relations and Water.*

**3. Resolution on Lifeline for Broadband Program Page 7**

*The resolution encourages Congress to enact legislation and the FCC to act expeditiously to implement a broadband Lifeline/Link-Up program, in consultation with the Federal-State Joint Board on Universal Service.*

*Sponsored by the Committee on Telecommunications.*

### ***Resolution on Lifeline Service Verification***

**WHEREAS**, The Federal Universal Service Fund (USF) was initiated to ensure universal access to telecommunications services for all consumers; *and*

**WHEREAS**, The National Association of Regulatory Utility Commissioners (NARUC) fully supports making telephone service more affordable for low-income consumers and passed a resolution in July 2009 declaring that, annually, the first full week following Labor Day as Lifeline Awareness Week; *and*

**WHEREAS**, The USF-supported Lifeline Program is intended to provide applications for USF-supported Lifeline service access to telecommunication services including the public benefit of easily and reliably reaching emergency services by dialing 911; *and*

**WHEREAS**, Applicants for Lifeline services may misunderstand eligibility requirements including the limitation of one subsidy per household and other matters; *and*

**WHEREAS**, Some States are developing real-time access to information necessary to verify household eligibility and ensure that a household receives only one Lifeline subsidy; *and*

**WHEREAS**, Current Lifeline policies do not address the need for assistance demonstrated by low-income consumers who live in facilities where multiple eligible applicants reside; *and*

**WHEREAS**, All Eligible Telecommunications Carriers (ETCs) should be required to provide a means to submit surcharges to State and local authorities that deliver and support E 911 and all other telecommunications obligations under State and federal law; *and*

**WHEREAS**, Many States estimate that less than 25% of eligible applicants currently subscribe to Lifeline; *and*

**WHEREAS**, USF Disbursements for Lifeline significantly increased the USF contribution factor from approximately 9.4% in the First Quarter of 2009 to 14.2% in the First Quarter of 2010; *and*

**WHEREAS**, Members of Congress have expressed concern regarding the size of the USF and have requested additional information regarding the health of the USF, specifically the contribution factor; *now, therefore be it*

**RESOLVED**, That the National Association of Regulatory Utility Commissioners, convened at its 2009 Annual Convention in Chicago, Illinois, calls upon the FCC and the States to review existing processes to verify eligibility and, if necessary, develop and implement best practices and suggestions, including consideration of real-time verification, for all Lifeline applicants to ensure eligibility for support to verify applicant eligibility; *and be it further*

**RESOLVED**, That the FCC and the States develop and implement Best Practices to ensure that all ETC carriers are required to provide a means to submit surcharges to State and local authorities that deliver and support E 911 and all other telecommunications obligations under State and federal law; *and be it further*

**RESOLVED**, That NARUC directs its General Counsel to communicate this resolution to Congress and to all relevant federal and State agencies and policymakers.

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*Sponsored by the Committees on Consumer Affairs and Telecommunications  
Recommended by the NARUC Board of Directors November 17, 2009  
Adopted by the Committee of the Whole, November 18, 2009*

***Resolution on the International Accounting Standards Board Exposure Draft ED/2009/8 Regarding Rate-Regulated Activities***

**WHEREAS**, Rate regulation is widespread and significantly affects the economic environment of rate-regulated entities; *and*

**WHEREAS**, A specific standard on accounting for the effects of rate regulation exists in U.S. Generally Accepted Accounting Principles (GAAP), but it has no counterpart in International Financial Reporting Standards (IFRS); *and*

**WHEREAS**, Billions of dollars of ‘regulatory’ assets and liabilities are currently recognized in jurisdictions that refer to U.S. GAAP making clarification of the treatment of assets and liabilities arising from rate regulation in IFRSs critical; *and*

**WHEREAS**, The wide-spread use of Statement of Financial Accounting Standard 71 (SFAS 71) *Accounting for the Effect of Certain Types of Regulation*, means the financial statements used by investors generally reflect the operations and costs as viewed by regulators; *and*

**WHEREAS**, The audited financial statements, currently based on GAAP (including SFAS 71) are vital information for utility regulators; *and*

**WHEREAS**, Without a rate-regulated provision, utility earnings under IFRS will be more volatile, customer confidence could be substantially reduced and the ability to finance severely hindered when investments in infrastructure are greatly needed; *and*

**WHEREAS**, In December 2008, the International Accounting Standards Board (IASB) added a project to develop a standard on rate regulated activities that clarifies whether regulated entities could or should recognize an asset or a liability as a result of rate regulation, which culminated in the release of an exposure draft on July 23, 2009, regarding rate-regulated activities, available at, <http://www.iasb.org/Current%20Projects/IASB%20Projects/Rate%20regulated%20activities/Summary.htm>, seeking comments by November 20, 2009; *and*

**WHEREAS**, The draft IFRS (a) specifically addresses rate-regulated activities where an authorized body is empowered to establish rates that bind customers, and the price established by regulation (the rate) is designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return (cost-of-service regulation); *and*

**WHEREAS**, Many international entities are opposed to the draft IFRS allowing regulatory bodies to continue utilizing regulatory assets and liabilities as a tool to achieve regulatory objectives; *and*

**WHEREAS**, Incorporation of the principles of SFAS 71 is a critical component of these mechanisms, *now, therefore be it*

**RESOLVED**, That the National Association of Regulatory Utility Commissioners, convened at its 2009 Annual Convention in Chicago, Illinois, commends the IASB for seeking comments and gathering input on rate-regulated activities; *and be it further*

**RESOLVED**, That NARUC encourages its members to also file comments on the exposure draft; *and be it further*

**RESOLVED**, That NARUC file comments on the Exposure Draft ED/2009/8 regarding Rate-regulated Activities specifically to encourage adoption of rate-regulated activities allowing regulatory assets and liabilities, *and be it further*

**RESOLVED**, That NARUC generally supports the stated objectives to (a) establish criteria for the recognition of assets and liabilities arising from rate regulation; (b) clarify that regulated entities follow the requirements of all other IFRSs; and (c) require disclosures to enable users to understand the nature and financial effects of rate regulation, *and be it further*

**RESOLVED**, That NARUC supports the exposure draft's proposals that:

- Two criteria must be met for rate-regulated activities to be within the scope of the IFRS, though the examples cited to support the second criteria may be too restrictive for regulatory bodies utilizing regulatory assets and liabilities to implement an alternative regulation plan; *and*
- An entity should include in the cost of self-constructed property, plant and equipment or internally generated intangible assets used in regulated activities all the amounts included by the regulator even if those amounts would not be included in the assets' cost in accordance with other IFRSs; *and*
- Changes in reporting periods should be disclosed, though the ongoing calculation of numerical differences for property, plant and equipment and interest costs are not useful; *and*
- An entity should apply its requirements to regulatory assets and liabilities existing at the beginning of the earliest comparative period presented in the period in which it is adopted as long as (a) any adjustments arising from the application of the draft IFRS are recognized in the opening balance of retained earnings, and (b) the number of comparative periods should be consistent with provisions for first-time adopters; *and*
- An assessment of changes in recovery of regulatory assets or return of regulatory liabilities is appropriate, and impaired regulatory assets or liabilities should not remain on the books; *and*
- Regulatory assets and liabilities should be measured on initial recognition, though NARUC does not support the use of expected or estimated probability-weighted present value to measure as nominal value based on actual amounts or best estimates provides a more useful and consistent measurement; *and*
- No additional recognition criteria are appropriate once an activity is within the scope of the proposed regulatory assets and regulatory liabilities and recognized in financial statements.

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*Sponsored by the Committees on International Relations and Water  
Recommended by the NARUC Board of Directors November 17, 2009  
Adopted by the Committee of the Whole, November 18, 2009*

***Resolution on Legislation to Establish a Broadband Lifeline Assistance Program***

**WHEREAS**, The Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened at its February 2008 Winter Meetings in Washington, D.C., adopted a resolution that urged “Congress to support the designation of broadband services as eligible to receive support under the Lifeline and Link-Up programs, so that individuals with disabilities who qualify under these programs are given the choice of directing their subsidies to either PSTN-based or broadband-based communication services;” *and*

**WHEREAS**, The NARUC Board of Directors, convened at its July 2008 Summer Meetings in Portland, Oregon, adopted a resolution that “supports programs and initiatives which eliminate barriers to broadband technology access, adoption, availability, delivery, education and usage in low-income communities;” *and*

**WHEREAS**, The NARUC Board of Directors, convened at its February 2009 Winter Meetings in Washington, D.C., adopted a resolution that “strongly encourages the FCC to declare broadband Internet access service as a service eligible for the universal support mechanisms for the Lifeline and Link-Up programs;” *and*

**WHEREAS**, The Federal Communications Commission (FCC) has not responded favorably to the Federal-State Joint Board on Universal Service’s (“Joint Board”) *Recommended Decision* (FCC 07J-4), released on November 20, 2007, which concluded that broadband Internet access service satisfies the criteria in section 254(c) of the Telecommunications Act of 1996 and recommended to the FCC that it “revise the current definition of supported services to include broadband Internet service;” *and*

**WHEREAS**, The FCC has not yet acted on Comments and Reply Comments filed by several State Commissions and NARUC in support of proposals to establish a Broadband Lifeline/Link-Up Pilot Program as set forth in an *Order on Remand and Report and Further Notice of Proposed Rulemaking* (FCC 08-262), released on November 5, 2008; *and*

**WHEREAS**, On September 24, 2009, Congresswoman Matsui introduced “The Broadband Affordability Act of 2009” (HR 3646) that would require the FCC, within 270 days of enactment, to establish a broadband Lifeline program, in consultation with the Joint Board, which “enables qualifying low-income customers residing in urban and rural areas to purchase broadband service at reduced charges by reimbursing providers for each such customer served;” *now, therefore be it*

**RESOLVED**, That the National Association of Regulatory Utility Commissioners, convened at its 2009 Annual Convention in Chicago, Illinois, encourages Congress to enact legislation, to implement a broadband Lifeline/Link-Up program, in consultation with the Federal-State Joint Board on Universal Service, and encourages the FCC to act expeditiously to implement said program.

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*Sponsored by the Committee on Telecommunications*

*Recommended by the NARUC Board of Directors November 17, 2009*

*Adopted by the Committee of the Whole, November 18, 2009*